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Export Market Development by Agricultural Commodity Promotion Programs

ABSTRACT

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Karen J. Spatz
Agricultural Cooperative Service
U.S. Department of Agriculture

Export market development activities are an integral part of today's agricultural marketing due to increasing competition worldwide. Marketing activities include promotion, advertising, and research financed by private and government-supported commodity groups. Cooperatives and private industry primarily market brand products but they also support generic promotion through legislated commodity programs.

Federal and State agricultural commodity promotion programs are supported by growers and/or handlers, including cooperatives and their members. These legislated commodity programs promote domestically and overseas. Half of the 256 State checkoff programs reported export promotion expenditures totaling more than $27 million in 1986. Exporting cooperatives pay assessments to 59 State checkoff programs with export promotion expenditures. Four case studies detail effective export promotion programs.

Key Words: Cooperatives, generic advertising, agricultural exports, State checkoff programs, Federal marketing orders.

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PREFACE

This report describes the activities and expenditures for export promotion by State and Federal commodity promotion programs such as marketing orders and checkoff programs in 1986 and estimated 1987.

The objectives of this report are to document and describe the activities and extent of coordinated promotion for agricultural products. First it classifies the various types and number of programs in operation. Second, a case study approach is used to describe four programs. Some agricultural commodities have had promotion programs for many years, and their respective organizations have developed innovative strategies. The challenges and circumstances facing each product are often different, and a case study approach is designed to point out some of the complexity and variety of promotion efforts.

Data from State commodity promotion programs were collected by use of a one-page questionnaire. The initial mailing was followed by a second mailing and telephone contact for each nonrespondent. The survey was mailed to 283 identified State programs and 256 responded, a response rate of 90 percent.

Data for Federal legislated programs were obtained from the Agricultural Marketing Service, USDA. Exporting cooperatives were identified from a survey conducted by the Agricultural Cooperative Service (ACS) in 1985.

In-depth interviews were held in 1987 with representatives of U.S. Wheat Associates, National Peanut Council of America, California Raisin Advisory Board, and the Washington Apple Commission.

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Generic and brand advertising and promotion are an important part of export market development of agricultural commodities. Cooperatives and private companies use brands to differentiate their products and to increase sales. Generic agricultural commodity promotion is generally supported by growers and/or producers who pay assessments to State or Federally legislated commodity programs. The purpose of generic advertising in the export market is to increase sales of a commodity by increasing per capita consumption or increasing the U.S. market share.

National commodity groups such as U.S. Wheat Associates are funded by State checkoff programs to represent U.S. producers overseas. The Targeting Export Assistance Program (TEA) supports export promotion activities by State checkoff programs and national commodity groups.

State commodity programs include councils, commissions, and marketing orders. These checkoff programs assess growers and/or handlers for promotion, advertising, research and, in some cases, quality and quantity controls. Almost half of the State programs, 126 out of 256, reported total export promotion expenditures of $27 million in 1986. The largest expenditure was $14 million in 1986 involving 60 grain and oilseed programs. California alone accounted for more than 44 percent of the expenditures. Many programs redirect export promotion expenditures to national commodity groups.

Generic advertising and promotion benefit cooperatives. Once a market is developed for U.S. exports, an individual cooperative can increase its share of the market with brand promotion. Fifty-nine State checkoff programs with export promotion expenditures assess 37 exporting cooperatives.

These export promotion programs are relatively successful and have affected U.S. exports of many agricultural commodities. Case studies of U.S. Wheat Associates, National Peanut Council of America, Washington Apple Commission, and California Raisin Advisory Board demonstrate export promotion programs.

U.S. Wheat Associates provided technical assistance and other trade promotion to develop new wheat markets in Japan and other Pacific Rim countries. Peanut promotion centers on increasing the use of U.S. peanuts in processed products by supporting processors of peanuts overseas in the development and marketing of new products. Generic promotion informs industrial buyers of the benefits of using California raisins. Consumer advertising supports brand packaged raisins for snacks or baking. Exports of apples increased due to increased supply and the activities of the Washington Apple Commission. Quality apples are promoted at the point of purchase and a logo differentiates Washington apples. Despite increasing competition, the Washington Apple Commission has been able to retain market share in most cases.

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The agricultural market is global with increasing competition from other countries in both the domestic and export market. For many agricultural products, the U.S. is no longer the leading exporter. Exports of U.S. agricultural products began to decline after 1981 because of the increased value of the dollar and more competition from other countries. U.S. producers and processors are now trying to reverse this decline; promotion programs are considered one of the best methods.

COORDINATED PROMOTION PROGRAMS

Private promotion and advertising of brand products is a long-standing marketing strategy. Coordinated market promotion is a more recent institutional development. It includes Federal and State marketing orders, State checkoff programs, individually legislated promotion programs and national commodity organizations. These programs are supported by growers and producers.

Although coordinated promotion programs are sometimes used to promote brand products, the strategies and economics of private advertising and promotion are different. Private promotion emphasizes the quality and reputation of a brand in ways that render the name itself to be transferable to many different products and services. In addition, making brand names a source of rental income is a concomitant goal of private advertising. Coordinated programs are designed to be generic and to serve the collective interest of individuals who produce and sell a particular product by increasing demand.

Advertising and promotion is an effective strategy for producers to increase demand. However, an advertisement's effectiveness declines over time. For example, a commercial will not have as much impact three days after viewing as it will on the same day of viewing. For this reason, increased advertising during peak production of fresh produce leads to increased sales during the season. These efforts are often combined with supply controls such as reserve pools regulated by Federal marketing orders. If there is a long-term increase of supply due to a structural increase in production, then prolonged advertising and promotion can lead to a long-term increase in demand.

PROMOTION AND ADVERTISING

Advertising and promotion have so far been loosely defined as market development activities. For the purposes of this report, advertising is the specific use of various media to inform consumers. Promotion can be defined in two ways. One definition is activities that accompany pricing that benefit the consumer at the time of purchase. For example, coupons that lower the purchase price are defined as a promotion. For the purpose of this report promotion is more broadly defined as any activity that attempts to increase product sales. This would encompass any activity other than advertising and market research as a part of market development.

Promotion and advertising can be oriented to industry or consumers. Activities are targeted to include advertising, point of sale promotion, promotional events, and various other activities. Consumer advertising campaigns use many different media, including television, radio, magazines, newspapers, billboards, and circulars. Point of sale promotions include instore demonstrations, free samples, various types of displays and posters to attract consumers, and literature such as nutritional information and recipes. Promotional events such as contests, pageants, and various sporting events are another popular form of promotion. Other types of promotion directed to final consumers include recipes in newspaper food sections, coupons, and cooking schools.

The industry or trade-oriented promotion is important because many foods are processed or cooked before final purchase. Eventually consumers will purchase more of the product if industry uses more of it in processing. For example, nuts used in packaged cereal will lead to increased sales for the nut industry and the cereal industry. Trade promotion targets include hotels, restaurants, manufacturers, and wholesale distributors. Trade-oriented advertising is limited compared with advertising directed at consumers. This advertising appears most often in trade journals.

Public relations activities such as receptions are useful as part of trade promotions. Trade shows and food fairs are also effective. Field representatives are helpful as contacts with retail buyers and food editors and for monitoring retail activities. Often retailers are offered incentives for instore promotion. Contests with prizes such as vacation packages for the best display of a product are all part of trade promotion.

Cooking schools and technical assistance further exemplify trade promotion. Technical assistance involves distribution of information to aid processors in developing the best product. A team of engineers can provide the technical assistance in setting up and selecting the correct processing equipment. Sponsoring tours of farms, packing houses, storage, and other facilities is another method. Depending on the commodity and purchasers, market promotion activities will differ, but the goal of increasing long-term sales will remain the same.

Table 1—Federal fruit and vegetable marketing orders authorized for research and development, 1986

Order number	Area and commodity	Production research	Market research	Market development	Paid advertising
906	Texas oranges and grapefruit		x	x	x
907	California-Arizona navel oranges		x	x	
908	California-Arizona valencia oranges		x	x	
910	California-Arizona lemons		x	x	
911	Florida limes	x	x	x	x
915	Florida avocados	x	x	x	x
916	California nectarines	x	x	x	x
917	California pears, plums, and peaches	x	x	x	x
919	Colorado peaches		x	x	
921	Washington peaches		x	x	
922	Washington apricots		x	x	
923	Washington cherries (sweet)		x	x	
924	Washington-Oregon fresh prunes	x	x	x	
925	California desert grapes	x	x	x	
926	California tokay grapes		x	x	x
927	Oregon-Washington-Calif. winter pears	x	x	x	
928	Hawaii papayas	x	x	x	x
929	Cranberries (10 states)		x	x	
931	Oregon-Washington bartlett pears		x	x	
932	California olives	x	x	x	x
947	Oregon-California potatoes		x	x	
948	Colorado potatoes		x	x	
958	Idaho-Oregon onions	x	x	x	x
959	Texas onions	x	x	x	
965	Texas tomatoes	x	x	x	x
966	Florida tomatoes	x	x	x	
967	Florida celery	x	x	x	x
971	Texas lettuce	x	x	x	
979	Texas melons	x	x	x	
981	California almonds	x	x	x	x
982	Oregon-Washington filberts	x	x	x	x
984	California walnuts	x	x	x	
985	Far West spearmint oil	x	x	x	
987	California dates		x	x	x
989	California raisins		x	x	x
993	California dried prunes		x	x	

Source: Title 7, Code of Federal Regulations, Parts 900 to 999, Revised as of January 1, 1987.

PROMOTION PROGRAMS

Coordinated export promotion is supported by private or public funds. Individual firms or cooperatives can be involved in this type of promotion. Private efforts include voluntary commodity or producer marketing organizations. For example, the California Granny Smith Association asks producers to voluntarily contribute funds to promote their commodity. This type of arrangement works best if all who benefit contribute.

Economies of size and the long-term return on export market development often prevents growers and processors from having adequate resources to support a program. Funds are needed for trained and experienced personnel, overseas offices, travel, and other activities. Economies of size is one reason various Government programs support export promotion.

The Foreign Agricultural Service (FAS) of USDA administers the cooperator foreign market development program. This program is financed by three sources: (1) FAS, (2) private, nonprofit trade associations representing farmer, producer, and other farm related interests, and (3) "third party cooperators" who are governments or private firms in foreign countries. In 1984, this program involved 60 cooperators working in more than 130 countries with a budget of $95 million.

The passage of the Food Security Act of 1985 established the Targeted Export Assistance Program (TEA). This program is administered by FAS and is partially funded by surplus stocks of the Commodity Credit Corporation (CCC). The goal of the program is to aid U.S. producers disadvantaged by foreign trade policies. TEA participants include nonprofit agricultural associations and State organizations which develop generic promotional programs. Private companies also receive Government funds to promote products under their brand names. USDA spent at least $110 million each year from 1986 through 1988 on this program.

Some States are involved in promoting their agricultural products. The State of California has a ship, the Golden Bear, which promotes California products overseas. Some States also have trade offices overseas.

Commodity research and promotion programs are authorized by Federal and State statutes. These Federal and State commodity programs require handlers and/or producers to pay an assessment to support the program. Federal programs include marketing orders and individually legislated programs. Federal marketing orders are primarily for supply regulation, but some have provisions for research and promotion. State programs include marketing orders, commissions, and councils. These State programs, often referred to as checkoff programs, are authorized primarily for research and promotion.

Many of these groups work together. National commodity agencies (not legislated) are funded by State checkoff programs and other industry groups. Some of these national agencies are for export promotion only. So a checkoff program might administer its own domestic promotion activities and send funds to support export promotion by a national group. An example of such an agency is the U.S. Meat Export Federation whose export promotional programs are funded by members including checkoff programs, private organizations, and TEA funding.

Brand advertising is usually funded by the individual firm or cooperative. But there are exceptions. For example, brand advertising is used for certain TEA programs administered by State checkoff programs. Most voluntary and legislated programs support generic promotion.

Table 2—Expenditures for promotion under Federal marketing orders

Order number	Area and commodity	1986	1987[1]
		1,000 dollars	
906	Texas oranges and grapefruit	64	232
911	Florida limes	25	25
915	Florida avocados	25	25
916	California nectarines	1,461	1,546
917	California pears, plums, and peaches	2,294	3,324
923	Washington cherries (sweet)	4	na
926	California tokay grapes	63	26
927	Oregon-Washington-California winter pears	1,612	na
928	Hawaii papayas	120	275
932	California olives[2]	1,415	na
958	Idaho-Oregon onions	404	na
959	Texas onions	121	120
966	Florida tomatoes	456	470
967	Florida celery	28	50
979	Texas melons	97	na
981	California almonds[2]	5,692	14,000
984	California walnuts[3]	496	500
993	California dried prunes	30	30

na = Data not available.

[1]Estimated budget for 1987.
[2]Creditable brand advertising
[3]TEA funds not included for 1986.

Source: Agricultural Marketing Service, USDA.

Federal Marketing Orders

Federal marketing orders are authorized under the Agricultural Marketing Agreement Act (AMAA) of 1937. The goal of this act is to establish and maintain orderly marketing conditions for fresh or dried fruit, fresh vegetables, and various specialty crops such as nuts. The legislation limits the area of production to the smallest area that is practical, as decided by the Secretary of Agriculture. Orders are designed and carried out by the growers and handlers of the regulated commodity.

Activities are funded by assessments paid by first handlers The rate of assessment is a fixed amount per unit of product shipped. Therefore, the revenues collected will depend on the size and saleability of the crop.

Quantity and quality controls are the primary areas of the orders. The role of Federal marketing orders is still primarily supply control, but over the years the demand side activities have increased in importance. In the 1950's, the AMAA was amended to include provisions for research and promotion. It was not until the midsixties that paid advertising was autho-

Table 3—Commodity research and promotion programs authorized by Federal statute, most recent 12-month period, March 1987

Authorized by individual legislation, administered by industry boards Current	Total collections	Net Collections after refunds	Total funds available, including interest and other income	Expenditures for—		
				Promotion	Research	Other programs
			Thousand dollars			
National Wool Act of 1954						
—American Sheep Producers Council	4,120	Refunds not	7,800	3,838	Refunds not	[6]666
—Mohair Council of America	614	authorized	1,261	277	authorized	—
Cotton Research & Promotion Act of 1966						
Cotton Board	33,902	21,794	32,330	13,081	3,771	2,032
Potato Research & Promotion Act of 1971						
Potato Board	5,649	4,684	7,213	5,620	—	—
Egg Research & Consumer Information Act of 1974—American Egg Board	7,500	4,400	4,721	95	[5]1,500	[7]1,455
Dairy & Tobacco Adjustment Act of 1983		Refunds not				
National Dairy Promotion & Research Board	83,651	authorized	84,942	61,167	3,855	[8]4,017
Honey Research, Promotion, and Consumer Information Act of 1984—Honey Board	1,600 (projected)	—	—	—	—	—
Beef Promotion and Research Act of 1985						
Cattlemen's Beef Promotion & Research Board	[1]70,000	63,000	63,000	[3]21,700	800	3,000
Pork Promotion, Research, and Consumer Information Act of 1985 National Pork Board	[2]20,000	18,000	18,000	[4]5,500	500	10,000

[1]Estimated annual collections; collections began October 1, 1986.
[2]Estimated annual collections; collections began November 1, 1986.
[3]Budgeted Board promotion (States control 50 percent of domestic assessments which are not shown)
[4]Estimated Board promotion (States and the National Pork Producers Council expend over 60 percent of funds, listed as "other" but includes promotion.
[5]$78,000 designated for grants, $1,422,000 to fund a nutrition center, cholesterol action program, and product development projects
[6]Industry services and market information.
[7]Consumer education, cooperative funding with States, foodservice, and producer relations
[8]$2,339 for nutrition education and $1,678 for program evaluation

Source: Agricutural Marketing Service, USDA

rized. In 1986, 36 of the 46 Federal fruit and vegetable marketing orders had market research and promotion provisions. However, 15 orders were amended to include paid advertising (table 1). Creditable brand advertising provisions allow producers who engage in brand advertising to credit those expenditures toward their contributions for generic promotion. Handlers must show proof of expenditures for advertisements. Creditable brand advertising was allowed for California olives, almonds, and raisins.

Although 36 orders are authorized for promotion and research, only 18 reported expenditures for research and promotion in 1986 (table 2). Only five reported expenditures greater than $1 million, and eight spent less than $100,000 each in 1986.

National Promotion Programs

Individual commodity research and promotion programs authorized by Federal statute are administered by industry boards. These freestanding programs include mohair and wool, cotton, potatoes, eggs, dairy products, honey, beef and pork. These programs were developed to better coordinate national and local efforts. For example, collection of beef assessments of $1.00 per head occurs at the State level. If prior to the national checkoff there was an established State program, 50 cents is retained for local programs and the other 50 cents is forwarded to the national program. Table 3 outlines the collections and expenditures for promotion, research, and other programs.

State Commodity Programs

State programs are more prominent in promotion activities than Federal programs. In 1986, there were 283 State marketing programs, excluding the State milk programs. These State commodity programs were established by either individual legislation for a specific commodity, often referred to as commissions or councils, or by general enabling legislation authorizing commodity programs similar to the Federal Agricultural Marketing Agreement Act. The terminology for State programs is not always similar to Federal terminology. For example, some State commodity programs with regulatory provisions are often referred to as marketing orders. Most State programs have only research and/or promotion provisions and these are usually referred to as checkoffs. In this report, State checkoffs will be used interchangeably with the term commodity program or marketing order at the State level.

State programs have increased in importance since the 1930's. More than half of State checkoffs were authorized since 1971 and more than three-fourths were authorized since 1961 (table 4). Since 1981, a total of 71 new programs have been authorized, largest of any period.

Research is also a primary activity of State programs. Research provisions are included in 231 programs. Production research is included in 198 programs and market research is included in 146 programs. Provisions for promotion are included in 229 programs. Regulatory provisions are used the least and are found in 43 programs.

Forty-three States have commodity programs. More than half of the reporting States have five or fewer programs (table 5). The Pacific Coast States of Washington, Oregon, and California account for a total of 72 programs, or 28 percent of the reporting programs. California has the largest number with 31, followed by Oregon with 25, Washington with 16, and North Carolina with 16.

Each respondent was asked to report expenditures for a calendar year; but if the data were reported for fiscal year, they were to indicate it as such. All budgets and expenditures in this report are fiscal years reported ending in calendar years 1986 and 1987. State checkoffs spent more than $100 million in 1986 and 1987 for promotion. California accounted for 55 percent of this amount in 1986 and 49 percent in 1987, with reported expenditures for promotion of $54.8 million in 1986 and $55.4 million in 1987. Nine States reported promotion expenditures of less than $100 thousand in 1986. The average expenditure by the 42 reporting States was $2.39 million in 1986, increasing by 13 percent to $2.71 million in 1987.

State checkoffs are not limited to fruits and veg-

Table 4—State legislated marketing programs authorized during selected period

Period	Authorized Number[1]
1930-1940	6
1941-1950	12
1951-1960	36
1961-1970	56
1971-1980	70
1981-1987	71

[1]Does not add to total number of programs because only 256 responded and five did not include year program authorized

Table 5—State checkoff budgets and expenditures for promotion, by State

State	Number of programs	Budget		Promotion expenditures	
		1986	1987[1]	1986	1987[1]
		Thousand dollars			
Alabama	4	1,485	1,905	750	1,066
Arizona	2	485	790	350	620
Arkansas	4	1,605	3,330	750	2,066
California	31	74,758	72,532	54,806	55,422
Colorado	5	1,290	961	568	566
Connecticut	1	0	60	0	60
Florida	4	6,035	6,036	5,273	5,269
Georgia	8	3,658	3,698	984	1,006
Idaho	8	5,516	5,653	3,564	3,967
Illinois	6	4,597	6,111	3,066	3,355
Indiana	2	224	909	60	503
Iowa	6	11,015	6,635	4,251	5,094
Kansas	6	3,993	10,267	1,259	1,165
Kentucky	4	856	2,207	412	1,442
Louisiana	3	1,116	1,040	666	637
Maine	2	538	470	445	335
Maryland	1	41	33	33	29
Michigan	10	2,206	2,293	972	1,231
Minnesota	7	4,582	4,777	1,292	1,270
Mississippi	2	715	542	349	185
Missouri	5	1,179	2,642	539	1,397
Montana	4	2,546	2,323	465	460
Nebraska	6	2,904	3,191	1,125	1,112
Nevada	2	60	73	43	38
New Jersey	6	110	114	39	47
New York	3	1,298	1,454	1,048	1,175
North Carolina	11	2,155	2,438	1,134	1,180
North Dakota	8	3,169	4,213	1,126	1,623
Ohio	5	1,065	1,350	618	683
Oklahoma	5	4,221	4,823	1,630	1,923
Oregon	25	5,592	6,341	2,418	2,739
Pennsylvania	3	115	115	0	0
South Carolina	5	619	474	183	248
South Dakota	3	674	724	158	170
Tennessee	1	400	300	8	0
Texas	8	1,793	1,758	729	711
Utah	5	579	585	432	32
Vermont	1	60	60	40	60
Virginia	10	1,321	1,758	757	1,100
Washington	16	11,501	16,690	7,860	13,435
Wisconsin	6	394	451	96	130
Wyoming	2	419	926	239	358
TOTAL	256	166,887	183,053	100,535	113,908

[1]Estimate

etables as in Federal nondairy marketing orders. A wide variety of products are regulated, including animals and animal products, grains, seeds, oilseeds, and natural fibers (table 6). There are 70 checkoff programs for grains and oilseeds. Some programs assess more than one commodity, such as in Louisiana where one program covers soybeans, wheat, corn, and milo and a program in North Carolina that includes wheat, oats, barley, and rye. Grains and oilseeds have been combined into one category because of these multicommodity programs. Grains include wheat, corn, oats, milo, hops, barley, rice, rye, and wild rice. Oilseeds include soybeans, peanuts, and sunflowers.

Even though there are 70 grain and oilseed checkoff programs, this category does not account for the largest percentage of expenditures for promotion. Programs for fruit accounted for the largest, with expenditures of $57.22 million in 1986 and $64.05 million in 1987. The second and third largest expenditures were for grains and oilseeds combined and beef, with $17.45 million and $8.32 million of expenditures, respectively, in 1986.

EXPORT PROMOTION

Federal Marketing Orders

Federal marketing orders are minimally involved in export promotion programs. The Almond Board of California does not directly advertise or promote exports. Instead, it has creditable brand advertising. Handlers often spend more on advertising under their brand names than is required by the board. A separate assessment rate is levied for generic public relations, production research, and administrative costs. This program appears to be successful in that the second highest agricultural export from California is almonds.

The Walnut Marketing Board is active in domestic promotion. In 1986, TEA funds were available for walnut promotion overseas and were first handled by The California Raisin Advisory Board. In 1987, the California Walnut Commission was formed to promote exports. TEA funds for 1986 and 1987 were $2 million and $7 million, respectively.

The California Tree Fruit Agreement contains

Table 6—State checkoff budgets and total promotion expenditures, by commodity

State	Number of programs	Budget		Promotion expenditures	
		1986	1987[1]	1986	1987[1]
		Thousand dollars			
Seeds[2]	12	856	1,187	357	533
Fruit	53	77,238	79,026	57,220	64,050
Vegetables	32	11,723	11,930	6,734	7,311
Pulses[3]	7	1,528	1,699	712	867
Wool/lamb	6	216	288	55	50
Cotton	4	444	577	196	230
Beef	25	16,806	30,703	8,319	11,451
Pork	8	6,099	630	187	287
Poultry and eggs	23	8,404	7,735	6,381	6,025
Marine products[4]	5	596	885	267	517
Grains and oilseeds[5]	70	40,902	43,927	17,445	19,749
Other[6]	11	2,075	4,465	2,663	2,840
Total	256	166,887	183,053	100,535	113,908

Note: For 1986, 249 programs reported annual budgets and in 1987, 243 reported annual budgets. There were 215 reporting promotion expenses in 1986 and 1987.

[1]Estimate for 1987.
[2]Includes seeds, nursery stock and bulbs.
[3]Includes dry beans, dry peas, and lentils.
[4]Includes crawfish, dungeness crab, salmon, marine products, and trawl caught seafood.
[5]Grains include wheat, corn, milo, hops, barley, oats, rice, wild rice, and rye. Oilseeds include soybeans, peanuts, and sunflowers.
[6]Other includes tobacco, honey, nuts, and ginseng root.

assessments for nectarines, pears, plums, and peaches in California. In 1987, expenditures for export promotion of these products were $26,600 for nectarines, and $140,000 for pears, plums, and peaches. The Federal marketing order for Hawaii papayas has been active in export promotion since 1974.

Table 7—Number of State checkoff export promotion programs initiated during selected periods

Period	Number of programs[1]
1940-1950	2
1951-1960	8
1961-1970	18
1971-1980	40
1981-1987	41

[1]Does not add to 126 because 17 did not respond.

Table 8—State checkoff expenditures for export promotion, by commodity

Commodity	Number of programs[1]	Export promotion expenditures 1986	1987[2]
		Thousand dollars	
Seeds	1	0.00	3.50
Fruit[3]	18	12,866.80	9,064.00
Vegetables	10	119.94	335.89
Pulses[4]	7	111.00	126.00
Beef	15	152.50	189.50
Pork	2	198.00	50.00
Poultry and eggs	1	25.00	0.00
Grain and oilseeds[5]	60	13,618.96	15,029.99
Other[6]	6	113.36	113.00
Total	120	27,205.55	24,911.88

[1]Includes only State promotion programs that reported expenditures for export promotion in 1986 and/or 1987. A total of 126 programs reported export promotion.
[2]Estimate for 1987.
[3]Does not include TEA funds for California table grapes, cling peaches, raisins, avocados, kiwifruit, prunes, Washington apples, and Florida citrus.
[4]Includes dry beans, dry peas, and lentils.
[5]Grains include wheat, corn, milo, barley, oats, rice, and wild rice. Oilseeds include soybeans, peanuts, and sunflowers.
[6]Other includes tobacco and nuts. Does not include TEA funds for California pistachios.

Table 9—State checkoff expenditures for export promotion, by State.

State	Number of programs[1]	Export promotion expenditures 1986	1987[2]
		Thousand dollars	
Alabama	2	136.00	112.00
Arizona	2	64.00	78.00
Arkansas	3	450.00	1,041.00
California[3]	17	12,055.28	6,053.47
Colorado	2	194.33	172.09
Florida[4]	4	450.00	3,033.50
Georgia	3	312.50	312.50
Idaho	5	388.29	312.10
Illinois	3	1,535.00	1,935.00
Indiana	1	2.50	2.50
Iowa	4	2,501.00	3,015.00
Kansas	5	1,598.31	1,463.49
Kentucky	1	100.00	127.00
Louisiana	2	265.00	245.00
Maine	1	195.00	165.00
Maryland	1	5.60	5.60
Michigan	3	83.00	115.00
Minnesota	5	1,192.78	1,062.00
Missouri	1	300.00	700.00
Montana	2	300.48	333.58
Nebraska	4	1,237.22	1,192.50
North Carolina	3	128.00	120.00
North Dakota	7	764.12	707.92
Ohio	1	10.00	10.00
Oklahoma	2	300.00	295.00
Oregon	6	527.82	581.48
South Carolina	1	50.00	40.00
South Dakota	2	215.12	166.90
Tennessee	1	200.00	150.00
Texas	5	475.00	450.00
Utah	2	15.00	19.00
Vermont	1	3.00	5.00
Virginia	6	137.96	128.30
Washington[5]	8	944.20	684.40
Wisconsin	2	30.05	41.55
Wyoming	2	39.00	36.00
Total	120	27,205.55	24,911.88

[1]Includes only State promotion programs that reported expenditures for export promotion in 1986 and 1987.
[2]Estimate for 1987.
[3]Does not include TEA funds for table grapes, cling peaches, pistachios, avocados, kiwifruit, and prunes.
[4]Does not include TEA funds for citrus.
[5]Does not include TEA funds for apples.

State Commodity Programs

In contrast to Federal marketing orders, State checkoff programs are very active in export promotion. Out of the 256 State checkoffs that responded to the survey, 126 reported involvement in export promotion activities. State checkoff programs began export promotion in the 1940's, but the majority of the programs began after 1970. Forty export programs began between 1971 and 1980 and 41 programs were initiated after 1980 (table 7). Furthermore, 10 new export promotion programs began in 1986, and 8 new export programs were reported in 1987.

Out of the 126 State programs reporting export promotion, only 120 reported expenditures in 1986 and/or 1987. Outlays for export promotion were $27 million in 1986 and $24.9 million in 1987 (table 8 and table 9). The reported expenditures do not include TEA funds, so the amount spent by State programs for export promotion is actually larger.

Table 10 indicates the TEA allocations to State checkoff programs for fiscal years 1986 and 1987. Because the funds reported are not comparable to the ones reported for the Federal fiscal year, these expenditures are not included in tables 8 and 9. The funds are primarily for California products. Also, the funds are for fruits except for pistachios. The TEA allocations totaled $19 million and $29.5 million, respectively, for fiscal year 1986 and 1987. The largest allocation was to the California Raisin Advisory Board. Their total export expenditures combined with their own funds was $12.5 million in both years.

As in the promotion outlays, the largest category is grains and oilseeds, with expenditures of $13.62 million and $15.03 million, respectively, in 1986 and 1987. Sixty programs reported, so the average is lower than the fruit category, with 18 programs reporting expenditures of $12.87 million and $9.06 million, respectively, in 1986 and 1987. The average program expenditure for grains and oilseeds was $227,000 in 1986 and $250,000 in 1987, compared to fruit with more than twice the average expenditure of $714,000 in 1986 and $504,000 in 1987.

Table 10—Targeted Export Assistance program grants to State checkoff programs

Participant	Commodities	1986	1987
		Thousand dollars	
California Avocado Commission	Avocados	0	450
California Cling Peach Advisory Board	Processed cling peaches and fruit cocktail	2,500	5,100
California Kiwifruit Commission	Kiwifruit	0	500
California Pistachio Commission	Pistachios, shelled and inshell	200	200
California Prune Board	Prunes	4,000	4,500
California Raisin Advisory Board	Raisins	6,300	9,800
California Table Grape Commission	Table grapes	350	450
Florida Department of Citrus	Florida fresh and processed citrus (primarily fresh grapefruit)	4,600	7,000
Northwest Horticultural Council[1]	Fresh apples	1,400	1,500
Total		19,350	29,500

[1]Northwest Horticultural Council is participant, but the Washington Apple Commission receives the money for spending

Note: Does not include walnuts. Received $2 million in TEA funds in 1986 and California Walnut Commission received $7 million in 1987

Table 11—Number of State checkoff programs using commodity associations for export promotion

Commodity	Number of programs[1]
Oilseeds[2]	26
Grain and Feed [3]	30
Fruit[4]	7
Livestock and Products[5]	17
Other[6]	5

[1]The number of programs total to more than the actual number using commodity agencies, since some programs regulate more than one commodity.
[2]Includes sunflowers, soybeans, and peanuts.
[3]Includes wheat, corn, milo, barley, and rice.
[4]Includes apples, blueberries, cherries, red raspberries, wine grapes and wine.
[5]Includes beef, pork and mohair.
[6]Includes dry peas, lentils, chickpeas, hazelnuts, and tobacco.

The other categories, with 10 or more reporting outlays for export promotion, include vegetables and beef. Seeds and poultry each have one program reporting expenditures for export promotion. Furthermore, all the categories, except for fruit and grains and oilseeds, report expenditures of less than $1 million.

Fewer States reported export promotion than domestic promotion; 42 States reported domestic promotion, but only 36 reported export promotion. Connecticut, Mississippi, Nevada, New Jersey, New York, and Pennsylvania promote in the domestic market but not in the overseas market. Disbursement by State for export promotion is shown in table 9. The table shows California accounting for more than 44 percent of the expenditures in 1986, but accounting for only 14 percent of the number of programs. The expenditures for California declined dramatically due to the number of TEA allocations to California programs replacing their own funds. Florida increased expenditures 574 percent from 1986 to 1987. This is due in part to the contributions required to receive TEA funds. In 1986, six States spent more than $1 million each for export

Table 12—Commodity associations that promote overseas and receive funds from State checkoffs

Dairy, Livestock, and Poultry
International Mohair Assoc.
*U.S. Meat Export Federation
National Pork Producers Council

Horticultural and Tropical Products
Cherry Exporter Assoc.
National Red Cherry Institute
International Apple Institute
Northwest Cherry Growers
Wild Blueberry Assoc. of North America
North American Blueberry Council
*Wine Institute

Grain and Feed
Corn Growers Assoc.
International Grains Program
National Grain Sorghum Producers Assoc.
*Rice Council for Market Development
*U.S. Feed Grains Council
*USA Dry Pea and Lentil Council
*U.S. Wheat Associates

Tobacco
*Tobacco Associates

Oilseeds And Products
*American Soybean Assoc.
*American Sunflower Assoc.
KenTen Soybean Promotion Council
*National Peanut Council

State Organizations
*Western U.S. Agricultural Trade Assoc.s
California Agricultural Export Program
Oregon State Department of Agriculture
Texas Department of Agriculture

Other
Agricultural Council of America
*National Potato Promotion Board[1]

* = Received TEA funds in 1986 or 1987.
[1]A national legislated commodity program. See table 3.

promotion. The number increased to eight States in 1987. California is the only State with more than 10 programs; all other reporting States have fewer.

Commodity Organizations

Many State commodity promotion programs do not promote overseas themselves; instead, funds for export promotion are used by one or more national or regional commodity associations that promote for their members in the domestic and/or export market. Some commodity associations are funded only by State checkoff programs, such as U.S. Wheat Associates. Other groups are funded by members that include other commodity associations, producers, processors, and other representatives of the industry. For example, members of the U.S. Meat Export Federation include packers, processors, and exporters of lamb, beef and pork, grain promotion groups, farm organizations, and producer checkoff programs. Furthermore many of these groups are recipients of TEA funds, such as U.S. Meat Export Federation.

Table 11 shows the number of checkoff programs that are members of commodity associations. This list does not include the contributions of the potato checkoffs to the National Potato Promotion Board because this is a national legislated program (table 3). Also, table 11 does not include three programs that contract with foreign agencies for export promotion. This list does include programs that contribute to their State Department of Agriculture's export enhancement programs.

Grain and feed have the largest number of checkoff programs supporting commodity organizations. If these programs were combined with oilseeds, then the total number of checkoffs contributing to the programs of commodity organizations (with no double counts) would be 84 programs. The category, including grains and oilseeds, would consist of 55 programs or 65 percent of those programs using commodity organizations for export enhancement. Only five of the checkoff programs that reported export promotion expenditures in this category do not use commodity organizations to undertake all or part of their export promotion efforts. Livestock (primarily beef) accounts for 17 programs or 20 percent, and fruit and other categories each account for less than 10 percent of the checkoff programs using commodity organizations.

As previously reported, the category of grain, feed, and oilseeds comprises half the programs with export promotion expenditures; but average expenditures of each group is small in comparison with fruit checkoff programs. In addition, more States have checkoff programs for grain, feed, and oilseeds than for fruits. Commodity organizations can create an effective export promotion program targeting many countries because of their large budget funded by State checkoffs. Rather than States competing for larger shares of the export market, it has been effective for the State checkoff programs of homogeneous commodities (such as soybeans) to work together to improve the U.S. share of world imports. Many commodity organizations are recipients of TEA funding, as noted in table 12. TEA fund recipients are generally distributed to individual State checkoff programs for fruit and to a national commodity organization for grains, feed, and oilseeds.

The Role of Cooperatives in Export Promotion

Advertising and promotion by a cooperative is designed to benefit members rather than all producers in a State or region, as opposed to State or Federal promotion programs. The budget process for advertising and promotion expenditures are similar to a noncooperative business', there is no tax on members for promotion by the cooperative. Increased profits from advertising are passed along to grower-members of a cooperative, whereas a private processor or packer will not necessarily share the benefits with producers. Furthermore, members have some degree of control over promotion expenditures, unlike growers who sell to a private company.

Growers voluntarily support the promotion efforts of their cooperatives by their membership, unlike State or Federal marketing orders where they are required by law to participate.

Cooperatives and legislated promotion programs interact in many ways. If there is a legislated checkoff and handlers are assessed, the cooperative will be assessed as a handler. When referendums are held, cooperatives often vote for their members as a bloc, rather than growers voting separately. If a majority of growers are members, the role of a cooperative in a legislated program is large.

Cooperatives play a major role in the marketing of agricultural products domestically and abroad. In many overseas markets, cooperatives have been successful promoting their brand without a generic promotion program to accompany it. Successful export programs of cooperative brands include Sunkist, Welch Foods, and Ocean Spray. Overseas consumers have learned to equate these brands with quality products from the

Figure 1 - **Number of Export Promotion Programs, 1986**

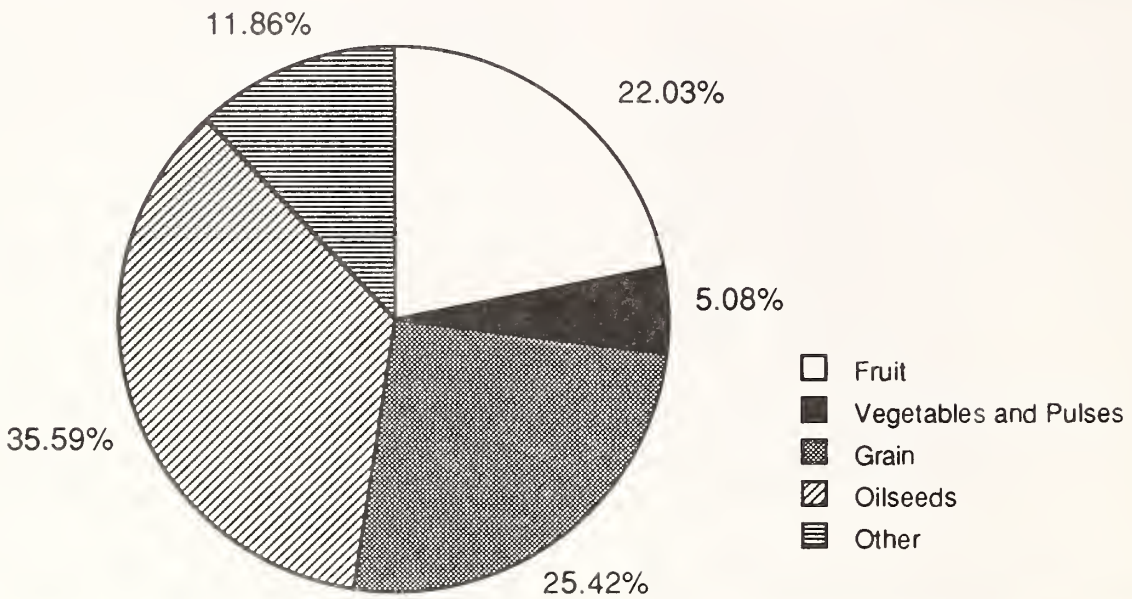

Figure 2 - **Export Promotion Expenditures by Programs, 1986**

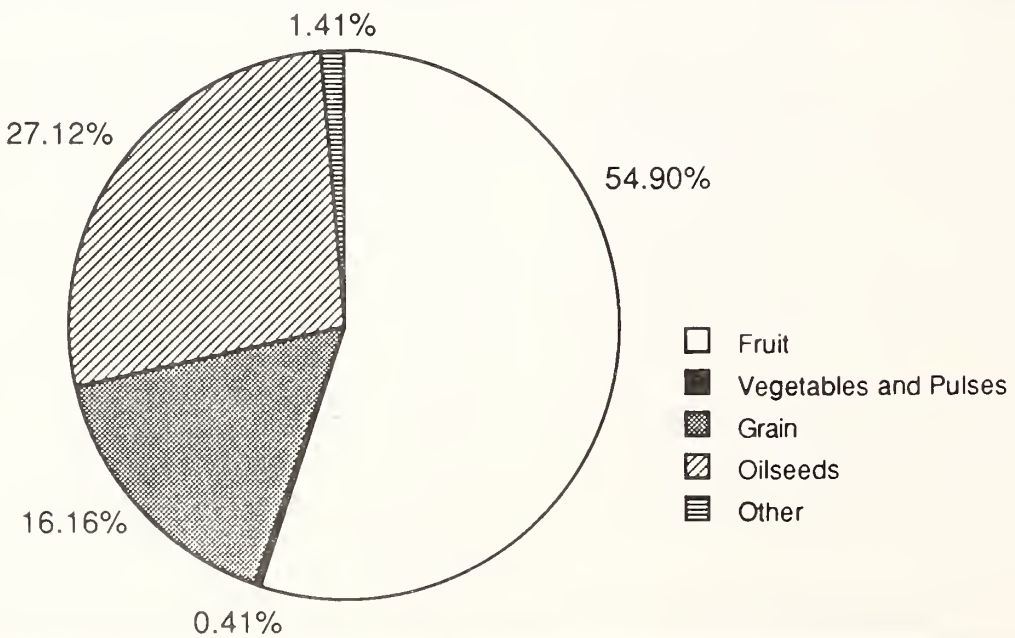

Table 13—State checkoff expenditures for export promotion, by commodity, for programs assessing exporting cooperatives

Commodity	Number of programs[1]	Export promotion expenditures 1986	1987[1]
		- - -Thousand dollars- - -	
Fruit	13	12,056.80	8,291.00
Vegetables and Pulses	3	91.00	96.00
Grain	15	3,549.09	4,821.36
Oilseeds	21	5,954.78	6,383.00
Other[2]	7	309.36	162.00
Total	59	21,961.03	19,753.36

[1]Estimate for 1987.
[2]Includes tobacco, nuts, and pork.

United States. However, some cooperatives promote their brand concurrently with a generic export promotion program. For example, export promotion of California raisins include generic and brand promotion of Sun-Maid raisins. Cooperatives that handle bulk commodities benefit from State or regional generic export promotion programs.

Generic advertising can pave the way for an export market to grow and develop. Once a market is established, an individual firm or cooperative can affect its share of the market with brand promotion. If a processor has market power, generic promotion combined with brand advertising can either increase its market share or raise its prices. Since cooperatives must handle all the volume their members deliver, they can be expected to pursue market shares.

Generic advertising can diminish the effect of brand promotion when it stresses homogeneity and uniformity of a product. A noncooperative processor might not benefit from a generic program; whereas a cooperative usually benefits when it must handle large receipts for its members while trying to prevent the price level from falling.

A 1985 study by ACS determined that 87 cooperatives reported exports of agricultural products. Cooperatives export every major commodity, including grains, feed, oilseeds, horticultural products, livestock products, and natural fibers. These exporting cooperatives often have members or plants in more than one State or process more than one commodity. Therefore, exporting cooperatives are assessed by commodity export promotion programs.

Comparing the results of the 1985 ACS survey of exporting cooperatives and the current ACS survey of State and Federal commodity export promotion programs, it was found that 59 State checkoff programs with export promotion expenditures assess exporting cooperatives and their members. Forty-three programs regulate 1 cooperative each, 12 programs regulate 2 cooperatives each, and 4 programs regulate 3 or more cooperatives.

A total of 37 exporting cooperatives payed assessments to State checkoff programs promoting exports. Twenty-three cooperatives were assessed by one program each, seven cooperatives pay two programs each and seven cooperatives were assessed by three or more programs each.

These 59 State checkoff programs that assess exporting cooperatives are primarily grain and oilseed programs (table 13 and figure 1), accounting for 61 percent of the total number of programs. In 1986, grain and oilseeds accounted for only a small portion of the export expenditures, 43.3 percent (figure 2). Fruit export promotion expenditures assessing exporting cooperatives accounted for 54.9 percent of the expenditures or $12.06 million, but accounted for only 22 percent of the programs. This coincided with the previous discussion of export promotion activities by State checkoffs. The vegetables and other commodities each account for less than 10 percent of the number and expenditures.

The percentage of programs assessing cooperatives to total number of programs with export promotion expenditures for fruit is 72 percent of the number, but more than 90 percent of the expenditures. Grain and oilseeds are 60 percent of the number of programs and more than 70 percent of the expenditures. In other words, the majority of programs and their expenditures for export promotion are for programs that regulate at least one cooperative that exports. Almost half of all checkoff programs regulate cooperatives, and 81 percent of the total expenditures for export by checkoffs are for programs assisting exporting cooperatives.

CASE STUDIES

Details of the export promotion of four commodity programs follow. All four programs, U.S. Wheat Associates, National Peanut Council of America, Washington Apple Commission, and California Raisin Advisory Board promote commodities exported by cooperatives. In the case of the California Raisin Advisory Board, brand advertising for export promotion

is supported by the board. All other programs support generic promotion.

These case studies will help cooperatives in general make better decisions concerning their involvement with export promotion. If a cooperative is new to the export market or only indirectly exports, then the generic export promotion activities by a State checkoff might be beneficial for them; and these case studies highlight the different ways to implement a program.

The California Raisin Advisory Board and the Washington Apple Commission are State checkoff programs. U.S. Wheat Associates and the National Peanut Council of America are national commodity agencies supported by State checkoff programs. These programs were chosen because of several factors, including the promotion of commodities exported by cooperatives. Their export programs began prior to 1982, and their export promotion expenditures were greater than $100,000 in the reporting years. Other factors included geographic and product variation. Products included nuts, fresh and processed fruit, and grain; geographic locations included the South, Northwest, West, and the Midwest.

U.S. Wheat Associates

U.S. Wheat Associates is the export market development organization supported by State checkoff programs in the major wheat producing States. They are Arizona, Arkansas, California, Colorado, Idaho, Kansas, Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Washington, and Wyoming. U.S. Wheat Associates activities are also funded by FAS and third party cooperators overseas. Their national office is in Washington, DC with a West Coast office in Portland, OR, and 14 overseas offices.

Export promotion is the sole activity of U.S. Wheat Associates. It is not a lobbying organization, nor does it support research other than market development for new products. The other distinction to be noted is that wheat is primarily an input for products such as breads or cakes. Therefore, the milling and baking industry is usually the target of promotion. In countries where the wheat industry is not developed and the per capita consumption of wheat products is low, attempts are made to increase consumption through consumer promotion campaigns.

U.S. Wheat Associates (USW) was formed in 1980 with the merger of two regional wheat organizations, Western Wheat Associates and Great Plains Wheat. Each organization was supported by State checkoff programs for the purpose of export promotion. Western Wheat Associates primarily targeted Asia, whereas Great Plains Wheat targeted Europe, Africa, and the Middle East. Discussion of the U.S. Wheat export promotion activities will include the activities of the two regional organizations prior to 1980. After 1980, the discussion will focus on U.S. Wheat Associates.

Western Wheat Associates

The first organized effort to promote wheat in the U.S. was the formation of the Oregon Wheat Commission in 1947. Activities included trade missions to ascertain the potential market for "western" wheat in Japan, India, and other nations in the Far East, and to familiarize these countries with the benefits of "western" wheat.[1] Washington wheat growers approved a State program in 1955 and Idaho followed in 1959. The formation of an independent wheat promotion organization funded by these States soon followed.

Western Wheat Associates carried on the work of creating and expanding the Asian markets for western wheat. The central office was in Oregon, and overseas offices were in Tokyo, New Dehli, Singapore, Manila, Taipei, and Seoul.

It is important to understand that parts of Asia were not traditional wheat consumers. Consumer promotion such as cooking schools and distribution of recipes and nutritional information helped develop a preference for wheat and wheat products. This emphasis on consumer promotion essentially developed the final consumer wheat market in Asia.

Furthermore, a milling and baking industry had to be developed. Seminars were sponsored for the industry as well as technical assistance. This included cooking schools for bakers and assistance to set up flour mills and bakeries. Technical assistance also helped establish good relationships.

In the period from 1960 to 1969, Japan increased its per capita flour consumption from 57 pounds per year to more than 70. Likewise, during this same period flour production increased in Japan by 40 percent.[2]

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[1] Garry L. Frank, U.S Agricultural Policy and the Federal and State Commodity Check-off Programs, (Unpublished Ph.D. dissertation, Univ. Nebr., Lincoln, 1980), p.201.

[2] Harry Fornari, Bread Upon the Waters, (Nashville, TN: Aurora Publishers Incorporated,1973), p.108.

Great Plains Wheat, Inc.

Wheat growers in the Great Plains States followed a similar formation as Western Wheat Associates. The first State checkoff in this region was the Nebraska Wheat Board in 1955. Other States followed with programs of their own. Kansas Wheat Commission was authorized in 1957 and Colorado passed legislation for a checkoff tax in 1958.

These programs promoted hard red winter wheat in Europe and Latin America. The formation of Great Plains Wheat, Inc. soon followed. Seven other States followed with wheat checkoff programs of their own: North Dakota, 1959; South Dakota, 1961; Oklahoma, 1965; Montana, 1967; Texas, 1971; Wyoming, 1975; and Minnesota, 1977.

The markets targeted by Great Plains Wheat,Inc. were established wheat markets. Therefore, promotion activities were focused on the milling and baking industry. Because the per capita consumption of these mature markets was already high, the goal of Great Plains Wheat, Inc. was to increase market shares. In Southeast Asia, the per capita consumption of wheat is 4-5 kilograms per capita; whereas in Algeria, the per capita consumption is 230-250 kilograms per capita - the highest in the world. Great Plains Wheat, Inc. worked with mills in Africa and the Middle East to improve processing. Offices were in Central and South America, Europe, Africa, and the Middle East.

U.S. Wheat Associates

U.S. Wheat Associates (USW) formed in 1980 with the main office located in Washington, DC, and an office in Oregon for west coast trade. It has overseas offices in Panama (Central America/Caribbean), Chile (South America), Rotterdam (Europe), Morocco (North Africa), Ivory Coast (Sub-Saharan Africa), Egypt (Middle East/East Africa), Singapore, India, Philippines, Taiwan, Hong Kong, Peoples Republic of China, Japan, and Korea.

Since 1980, California, Arkansas, and Arizona have passed State checkoff programs and contribute funds to U.S. Wheat Associates. North Carolina passed a checkoff program in 1987, but currently does not engage in export promotion nor contribute funds.

The goal of U.S. Wheat is to assure buyers that the United States is a reliable supplier of a wide range of quality wheat. U.S. Wheat defines its export market development as trade services, technical assistance, market analysis, and consumer promotion. Trade services include information services and educational programs for overseas buyers. For example, trade groups visit the United States each year to learn about the production and marketing system of wheat.

Technical assistance programs include educating overseas processors and handlers of wheat. Training courses in the United States include courses in grain grading, storage, flour milling, and baking at the International Grains Program at Kansas State University in Manhattan and the Northern Crops Institute at North Dakota State University in Fargo. Overseas, USW has helped develop a number of baking schools. Technical assistance is given in biscuit, cracker, noodle, and pasta production.

Market information and analysis is necessary to plan and conduct market development. Projections of future consumption and production of wheat aid in decisionmaking. Consumer promotion includes distribution of recipes and nutritional information, cooking schools, and demonstrations.

By 1980, the market in Asia was very different from the market in 1948 when the Oregon Wheat Commission began export promotion. Consumer promotion was no longer as important as it had been in the 1960's and 1970's. In Korea, Taiwan, and Japan, there is an effort to provide assistance to the local industries, thus increasing the quality of wheat products resulting in increased consumer demand. In Korea, the baking industry was the focus of promotion rather than the milling industry. The Taiwan baking industry was well organized. In 1968, Western Wheat Associates and the Taiwan Flour Millers Association established the Taiwan Baking School; in 1984, a new and expanded facility was built.

U.S. Wheat is now concerned with increasing competition from other wheat-producing countries. After helping to create an efficient milling and baking industry, the United States must now keep its marketing edge. The major competitors in today's market are Canada, Australia, Argentina, and the EC.

China has grown and used wheat for centuries, primarily to make noodles and steamed bread. As part of USW market development a demonstration bakery was built in Beijing to aid in the modernization of the wheat industry in China. Furthermore, technical teams have helped set up a 150-ton-per-day flour mill in Beijing and an instant noodle plant in Shanghai.

U.S. wheat was imported to Western Europe in the 1970's to improve quality of wheat protein in bread and pasta color. With improvement in seeds, Europe now produces most of its own high quality wheat. A pasta

information center was instrumental in developing a new market for pasta in the United Kingdom.

It is difficult to develop markets in North Africa and the Middle East due to the high turnover of people in the wheat industry in these countries. Also, countries with balance of payment problems try to cut back on imports.

With TEA funds available to USW, activities expanded. The TEA budget was $3.1 million in 1986. For 1986, plans included the Wheat Sampling Program, to get countries to try other classes of wheat. In the first 2 years of this program, more than 21 100-ton samples have been distributed successfully in countries all over the world including Korea, Gabon, Taiwan, Malaysia, Philippines, Yemen, Togo, Cameroon, U.A.E., and Colombia. Other TEA activities include consumer promotion in Colombia, a model flour mill and training center in Egypt, and an Algerian bread and pasta training center.

U.S. Wheat provides market and technical information to the wheat industry in nearly 100 countries. Success stories, such as the Japanese wheat market, are a clear indication that the money was well spent. From 1960 to 1985, the U.S. market share increased from 32 percent of a 2.6-million-ton market to 60 percent of a 5.6-million-ton market. The baking school in Taiwan has graduated more than 3,800 students. FAS estimated that the dollar return for USW in the Taiwan Baking School from 1968 to 1982 was $271 per dollar invested.[3]

National Peanut Council of America

The National Peanut Council of America was established in 1940. Prior to formation of the National Peanut Council of America (NPCA) Export Market Development Program in 1978, exports of U.S. peanuts were limited to marketing residual production. Export promotion was primarily undertaken at the State level by State checkoff programs or by individual processors. Georgia and Virginia were first with export promotion programs, beginning in 1962 and 1965, respectively. Florida and North Carolina followed in the 1970's with checkoff programs prior to the founding of the National Peanut Council of America's Export Market Development Program. Alabama and Texas initiated checkoff programs for peanuts in 1957 and 1969, but did not promote exports until after 1978. Oklahoma has a checkoff program for domestic promotion and research, but is not involved in export promotion. The seven States of Georgia, Virginia, Florida, North Carolina, Alabama, Texas, and Oklahoma account for 98 percent of U.S. peanut production. South Carolina and New Mexico grow small amounts of peanuts and do not have checkoff programs.

The Georgia Peanut Commission was instrumental in establishing the National Peanut Council of America's Export Program. Georgia produces nearly half of U.S. production, so without their support it would be difficult to unify the peanut industry. The NPCA Export Program began the year after passage of the Farm Bill of 1977. Expansion of the export market is linked to the domestic peanut program. Prior to 1978, peanuts were grown on fixed acreage allotments and there was one support price. The 1977 Farm bill set up a two-price system for peanuts, "quota" and "nonquota." The support price was higher for "quota" peanuts, and a lower support price was established for "nonquota" peanuts that were restricted for sale to export or crush markets. The Agriculture and Food Act of 1981 suspended acreage allotments, and "nonquota" peanuts were eligible for price supports at rates set to ensure no government expenditures. The 1985 farm bill continued the peanut stabilization program for another 5 years. In 1986, the price support level for domestic or "quota" was $607.47 per ton, and for additional or "nonquota" production it was $149.75 per ton.

The impact of the 1978 pricing system was to make the U.S. export price competitive in the world market. The National Peanut Council of America established an export promotion program which is supported by checkoff programs representing growers in six major peanut-producing States of Georgia, Alabama, Florida, North Carolina, Virginia, and Texas, plus three regional sheller associations--Southeast, Southwest, and Virginia-Carolina. NPCA is run by an executive committee representing contributing grower and sheller organizations. Offices are in Washington, DC, London, and Rotterdam. Funding is also received from USDA's Foreign Agricultural Service.

Peanuts are classified as oilseeds and are crushed for oil and meal in most major producing countries. India is the world's largest producer of peanuts; but nearly all its crop is used for crush, and government policy does not encourage export. India has an export

[3] Lee, Jong-Ying, "Research Directed Toward Foreign Market Development.Programs," Proceedings from Research on Effectiveness of Agricultural Commodity Promotion Seminar, (Arlington, Va., 9-10 April 1985),p.63.

quota limit because domestic peanuts are needed for vegetable oil. In the United States, only poor quality peanuts are sold for crush. Most peanuts are sold to the edible market, shelled or inshell, for manufactured peanut products such as salted peanuts or dry-roasted peanuts, peanut butter, and confectionery products. These higher quality products bring greater returns to growers.

The first strategy for export market development by the National Peanut Council of America was to identify the potential markets for edible peanuts and to identify competing exporting countries and competing commodities. Variables for identifying markets included processing capability, populations with disposable incomes, and current importers. Western Europe, Japan, and Canada were thus chosen for market development activities.

The major Western European importing countries in 1978 were France, United Kingdom, Netherlands, Switzerland, and Italy. Table 14 shows calendar year market shares of U.S. green peanuts from 1972 to 1979. The value of U.S. green peanut exports increased in the 1970's from $48,918,000 in 1972 to $262,993,000 in 1979 (table 15).

China and Argentina are competing exporters of peanuts. China sells large quantities of inshell and shelled peanuts to obtain hard currency rather than focusing on quality. Argentina has been improving the quality of its peanut exports, but is not yet competitive with the U.S. in quality and service.

In the United States, 6 out of the top 10 candy bars use peanuts, but in Western Europe confectionery products use higher quality chocolate and tree nuts. The potential market in Western European countries for peanuts was the snack food market where the competition included potato chips, extruded products, and other nuts.

The 1970's were a time of prosperity for most agricultural commodity exports. U.S. peanut exports had increased to 387,000 metric tons by the 1978-79 marketing year. In 1980, a drought decreased U.S. peanut production, causing exports to decrease to 172,000 metric tons in the 1980-81 marketing year. Many Europeans buyers found other suppliers and the U.S. peanut industry had a difficult job regaining lost market shares. An added burden was that most of U.S. agricultural exports were decreasing due to the rising value of the dollar.

To reestablish the United States as a reliable supplier of raw peanuts, the National Peanut Council of America worked with peanut processors in major U.S. export markets. Trade servicing and technical seminars were a means to work closely with processors and provide a service that competing nations do not provide. Trade servicing provides information and offers support designed to increase trade. Media and retail teams from overseas are invited to the United States to observe the peanut production and harvesting.

Furthermore, the NPCA staff visits international processors to provide information and support. A

Table 14—Market shares of U.S. exports of green peanuts by major trade partners, calendar years 1972-79[1]

Country	1972	1973	1974	1975	1976	1977	1978	1979
				Percent				
Canada	21.82	29.44	21.55	22.87	28.27	16.68	14.33	16.24
France	0.62	7.59	15.92	7.53	1.21	3.05	14.54	15.32
United Kingdom	5.63	4.62	5.4	8.16	11.33	10.07	15.78	15.18
Switzerland	15.11	15.95	20.36	9.19	5.74	16.69	6.52	10.86
Netherlands	5.37	9.9	4.93	12.65	9.54	16.82	10.88	9.78
Japan	10.88	11.5	4.82	8.66	23.39	10.06	6.96	8.34
Italy	14.48	5.26	2.82	5.54	3.77	3.57	5.83	4.48
Spain	1.54	1.76	1.87	3.39	6	3.14	4 07	4.36
West Germany	2.83	2.29	1.71	1.34	1.15	2.51	3.21	3.39
Portugal	8.34	5.7	1.67	3.37	0	2.01	4 65	2.6
Rest of World	13.39	5.97	19.25	17.31	9.6	15.41	13 23	9.46

[1]Peanuts include green, shelled and inshell, for oilstock and not for oilstock. Not included are peanuts, prepared or preserved

Source: Trade and Economic Information Division, Foreign Agricultural Service, USDA
Derived from United Nations Calendar Year Trade Data

Table 15—Value of United States exports of green peanuts by major trade partners, calendar years 1972-79[1]

Country	1972	1973	1974	1975	1976	1977	1978	1979
				Thousand dollars				
Canada	10,673	23,832	31,887	33,799	24,825	34,467	39,410	42,704
France	305	6,147	23,891	11,123	1,062	6,302	40,010	40,299
United Kingdom	2,753	3,743	8,102	12,057	9,947	20,805	43,408	39,913
Switzerland	7,390	12,914	30,544	13,578	5,043	34,490	17,927	28,568
Netherlands	2,628	8,015	7,401	18,691	8,381	34,765	29,921	25,715
Japan	5,322	9,311	7,229	12,798	20,536	20,789	19,138	21,930
Italy	7,083	4,259	4,238	8,179	3,308	7,371	16,045	11,772
Spain	752	1,424	2,804	5,004	5,273	6,500	11,189	11,461
West Germany	1,383	1,856	2,564	1,975	1,013	5,191	8,835	8,912
Portugal	4,080	4,612	2,510	4,981	0	4,161	12,799	6,850
Rest of World	6,549	4,832	28,884	25,579	8,428	31,844	36,402	24,869
Total	48,918	80,945	150,054	147,764	87,816	206,685	275,084	262,993

[1]Peanuts include green, shelled and inshell, for oilstock and not for oilstock. Does not include prepared and preserved peanuts.

Source: Trade and Economic Information Division, Foreign Agricultural Service, USDA Derived from United Nations Calendar Year Trade Data

European office in London monitors NPCA projects, and acts as intermediary for information between the U.S. office and the international industry. The office in Rotterdam, the previous European headquarters, maintains contact with processors and traders.

Seminars are held periodically in Europe and Canada to inform foreign processors of the latest technical developments in the U.S. peanut industry.

Beginning in 1986, associate membership was available for processors, traders, brokers, and others involved in international marketing of U.S. peanut products. Today there are 25 associate members. This is another way of providing service to processors, including seminars, forums, and general meetings and information such as newsletters, brochures, and directories.

Working cooperatively with processors of peanuts has been the primary means of promoting exports of U.S. peanuts. Cooperative promotion programs with brand leaders of peanut products have been successful. This includes promoting new or established products as U.S. origin peanuts by using the USA quality logo on labels of branded peanut products. Other activities include advertising, instore displays, sampling, and public relations projects.

The National Peanut Council of America successfully promoted dry roasted peanuts in Europe. Prior to 1980, this product was almost unknown in Europe, but a promotion campaign has since established dry roasted peanuts as a new product.

New product development by processors is supported by NPCA. Processors submit new product development plans, including testing by consumers, advertising, and instore displays; and if these projects are approved in the annual marketing plan submitted to FAS prior to activity, then the National Peanut Council will reimburse 50 percent of the cost.

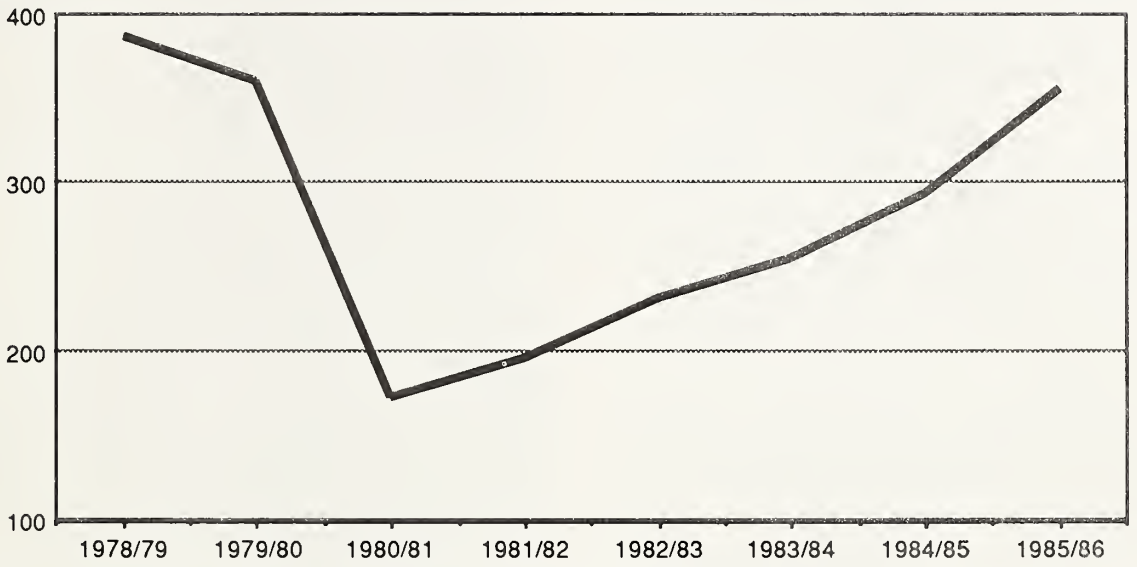
Western Europe consumes 80 percent of U.S. peanut imports as snacks, 10 percent as peanut butter, and the rest in confectionery products. In an attempt to upgrade the image of peanuts in France from a snack food to a cooking ingredient, a French cookbook , *Les Recettes Aux Peanuts D'Hubert*, was developed by Chef Hubert. The book was directed at food editors, the food and restaurant trade, and was written in French and English. Chef Hubert has demonstrated peanut recipes in his Paris restaurant and in London for food editors. The recipe book was also distributed to processing companies, who then offered it to consumers either as a prize or as a special consumer promotion.

Japan consumes 95 percent of its peanut imports from the U.S. as snack foods, including peanuts coated with seaweed and shrimp. However, expansion is limited due to an import quota. The U.S. Government is trying to lift these quotas with the expectation that exports to Japan could increase by 50 to 60 percent.

The National Peanut Council of America has been successful in increasing exports. Since 1980, exports

Figure 3 - **U.S. Peanut Exports, Crop Years 1978/79–1985/86**

1,000 metric tons



Note: Peanuts include edible, inshell or shelled basis for oilstock, prepared and preserved.
Source: Foreign Agricultural Service, USDA

of peanuts have increased to 356,000 metric tons in 1985-86, 31,000 metric tons short of the previous high level of exports in 1978-79 (figure3). In 1986, the U.S. accounted for 50 percent of world peanut exports, and was the leading exporter of edible peanuts.

In 1986 and 1987, the National Peanut Council received TEA funds of $4.5 million. This money enabled the council to continue and expand its promotion activities with brand leaders and processors in Europe for salted peanuts, inshell peanuts, dry roasted peanuts, honey roasted and flavored peanuts, and peanut butter. TEA funded programs were targeted at major European markets, which accounted for 60 percent of total U.S. peanut exports. The United Kingdom, Germany, Netherlands, and France received 85 percent of the targeted funds because these four markets accounted for 85 percent of the U.S. peanut exports to Europe in 1985. An example of programs with leading brand processors for promotion of new and existing products include the introduction of whole nut natural peanut butter in the United Kingdom. This new whole nut peanut butter is a response to nutritional concerns of European consumers. NPCA provides information on quality and nutritive value of peanuts to consumers and nutritionists, such as the information in the brochure "Peanuts--The Inside Story."

Two new programs are generic promotion and a processed product program. The processed product program promotes peanut products processed in the United States. The TEA funds will pay for advertising, retail promotional materials, and sampling. The goal is to introduce new products and develop new markets.

Generic promotion aims to increase the overall consumption of peanuts, not just selected brands and products. Germany, France, and the United Kingdom are targeted for campaigns. Activities include advertisements, recipe distributions, and public relations. For example, a retail program in Germany included instore displays, posters, and other materials using a special slogan and the U.S.A. quality logo.

Canada continues to be a major market for U.S. peanuts and NPCA continues its promotional efforts there, even though TEA funds are not available. In 1987, the NPCA will fund 40 promotion projects in more than 15 different markets including Japan. In all, the council has been successful in promoting U.S. peanuts by working closely with processors, even though competition has increased in recent years.

Washington Apple Commission

The Washington Apple Commission was established in 1937 to promote fresh Washington State apples. Washington accounts for about 50 percent of the fresh apples in the United States and about 36 percent of total U.S. apple production. Red Delicious apples represent almost 70 percent of Washington State apple production and combined Red and Golden Delicious apples account for 95 percent of the crop.

The first regulations on behalf of the Washington State apple growers were implemented in 1911. At the request of growers, the State legislature approved mandatory apple inspection before shipment. Grade standards enacted by the legislature in 1915 were followed by Federal standards 8 years later. Washington State apples are graded more stringently than those from any other State.

The next step was the creation of the Washington State Apple Advertising Commission in 1937 to promote fresh Washington apples as the world's finest. Activities include advertising, promotion, public relations, and information.

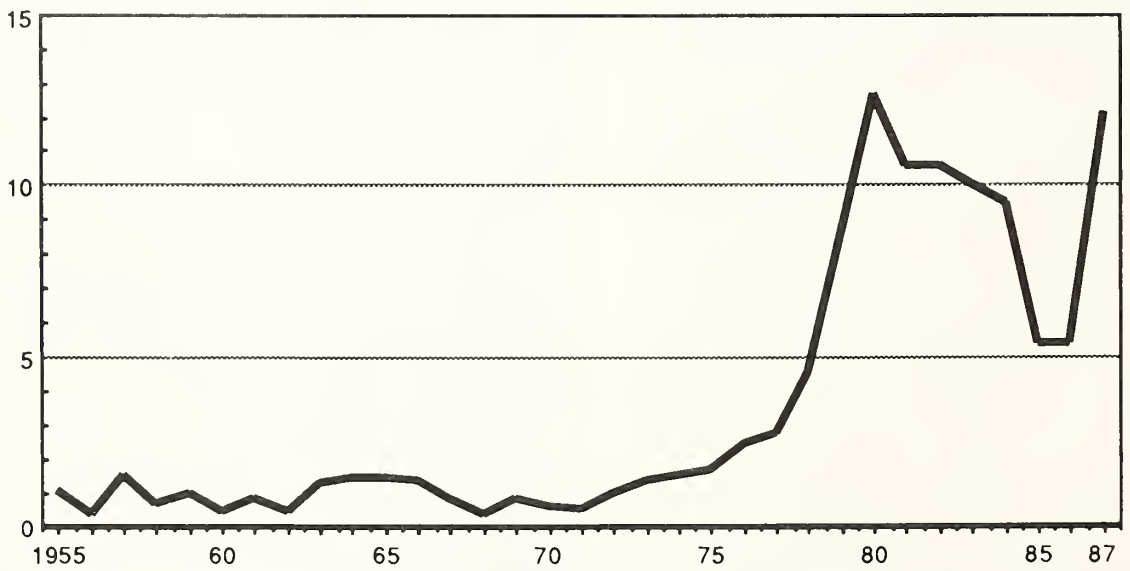
In the 1950's, implementation of controlled atmosphere (CA) storage extended the market season to year round for Washington State apples. A State law was passed in 1961 establishing standards for CA to be sold as Washington CA apples.

Apples are produced worldwide and the market is very competitive. Some apple-producing countries will import when supply is short or when the market season ends. The actions and strategies of the Apple Commission are best understood in the context of world apple production and trade. The commission defensively responds to world markets, as well as to seasonal fluctuations of supply, by adjusting its promotion campaign strategies. Apples can be stored only for so long--even in a controlled atmosphere--before quality is lost.

By 1915, Washington State apples were established in eastern markets, and exports began in the 1920's. Mandatory inspection assured overseas customers of quality while the producers were improving export market share. Prior to World War II, Germany, France, the Netherlands, the United Kingdom, and Scandinavia imported a substantial amount of apples from Washington. After World War II, apple tree stocks were shipped to Europe, and over time they became viable apple producing nations themselves.

Figure 4 - **Exports of Washington State Apples**

Million boxes



Source: Washington State Apple Commission

Hong Kong, Singapore, and Thailand remained as export markets.

After World War II, the Washington apple industry grew slowly. Apple production varied each year. In 1945 production was 23.1 million boxes; in 1955, 23.4 million boxes; in 1965, it was 22.3 million boxes. Exports also fluctuated by year. In 1955, 1.1 million boxes were exported; in 1965, 1.4 million boxes were exported. Exports of Washington apples increased from 1.03 million boxes in 1972 to 4.6 million boxes in 1979, more than double in 5 years (figure 4).

In 1979, two major events changed the export market for Washington State apples. The first was the lifting of import restrictions by Taiwan, a traditional apple-consuming country. Prior to the liberalization, imports were limited to 150,000 boxes. After 1979, Taiwan imported more than 2 million boxes a year, and became the number one export customer of Washington State apples. The other major change to the international market was the building of cold storage facilities in Saudi Arabia. In 1980, the first year the Commission collected export data by destination, Taiwan imported 3.9 million boxes and Saudi Arabia imported 2.01 million boxes. Total exports in 1980-81 were a record 12.7 million boxes (table 16).

These two events and favorable tax laws, stimulated new plantings of apple trees in Washington State. Between 1978 and 1982, 8,000 to 10,000 new acres of trees were planted each year. It takes between 3 and 7 years for the plants to come into production, and the current large supply is primarily due to these plantings.

Export promotion began in 1975. Expenditures for export promotion between 1979 and 1983 ranged between $100,000 to $200,000 a year. Activities included sending point-of-sale material accompanying shipments and the use of a logo to identify the apples as a Washington State product. The point-of-sale promotion materials were printed in 16 languages. Because of a lack of product information and overall product education, much of the generated materials were not effectively used by retail outlets.

By the early 1980's, Western Europe was mostly self sufficient, with France, Germany, and Italy producing a large supply of apples. The apple commission primarily targeted the Pacific Rim where there was relatively little competition between September and March. This market included Taiwan, Hong Kong, Singapore, and Malaysia.

In 1982, the industry began to be concerned about expected production surpluses due to the increased plantings. Apple production was predicted to be 100 million boxes by 1992, compared with 47 million in 1982. In response, the commission surveyed the consumption of apples to determine where there was room for growth. Apple consumption in the United States was 18 pounds per person in 1982, compared with Germany, Austria, and Switzerland, where it is 80 pounds per person. In the Netherlands it is 100 pounds per capita, and in the United Kingdom only 25-30 pounds per capita. The potential growth markets were identified as the domestic market and selected overseas markets.

In 1983, the Washington State Apple Commission established the International Promotion Department to

Table 16—Exports of Washington State apples by selected countries and total, 1980-87

Country	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
				Boxes			
Central & South America	1,810,202	1,570,467	1,169,032	453,872	330,948	180,436	371,352
Saudi Arabia	2,010,943	1,681,039	1,547,632	1,903,587	1,599,419	399,721	599,857
Hong Kong	1,144,513	901,155	1,107,045	1,257,587	1,504,203	818,271	1,017,011
Taiwan	3,937,343	2,049,769	2,994,280	2,028,494	1,852,150	1,317,755	1,912,831
United Kingdom	373,669	376,300	174,223	239,305	122,183	81,650	119,299
Norway	248,260	316,267	231,163	191,472	104,714	106,590	197,486
Finland	217,876	236,266	157,221	216,169	183,543	186,856	170,407
Western Europe	1,262,701	1,309,706	737,007	876,461	540,889	443,395	752,938
Canada	1,263,000	1,904,000	1,201,000	1,468,000	1,581,000	1,006,000	n/a
Total	12,690,909	10,634,852	10,589,590	10,020,480	9,508,869	5,370,603	5,380,309

n/a = not available
Source: Washington State Apple Commission

promote Washington State apples overseas including the identified growth markets, the United Kingdom, Taiwan, Singapore, and Malaysia. The Washington Apple Commission received $150,000 from the FAS cooperator funds in 1983, increasing to $250,000 in 1985. The international group established representation in Hong Kong and Taiwan, and a Commission representative was established in the United Kingdom.

The commission targeted foreign consumers and wholesale buyers of fresh apples. The processing industry is not targeted because the expected gains from promotion are small. Apple advertising used all forms of media; TV, newspapers, magazines, radio, billboards, posters, and point-of-sale material. Promotion included hotel and restaurant menu promotions, recipe contests, instore promotions for both small retail outlets to large supermarkets, and participation in food festivals.

More than 250 brands are used by the Washington apple industry. The Washington apple logo differentiates Washington apples from competing exports. About 75 to 80 percent of the industry uses Washington apple display materials including the logo.

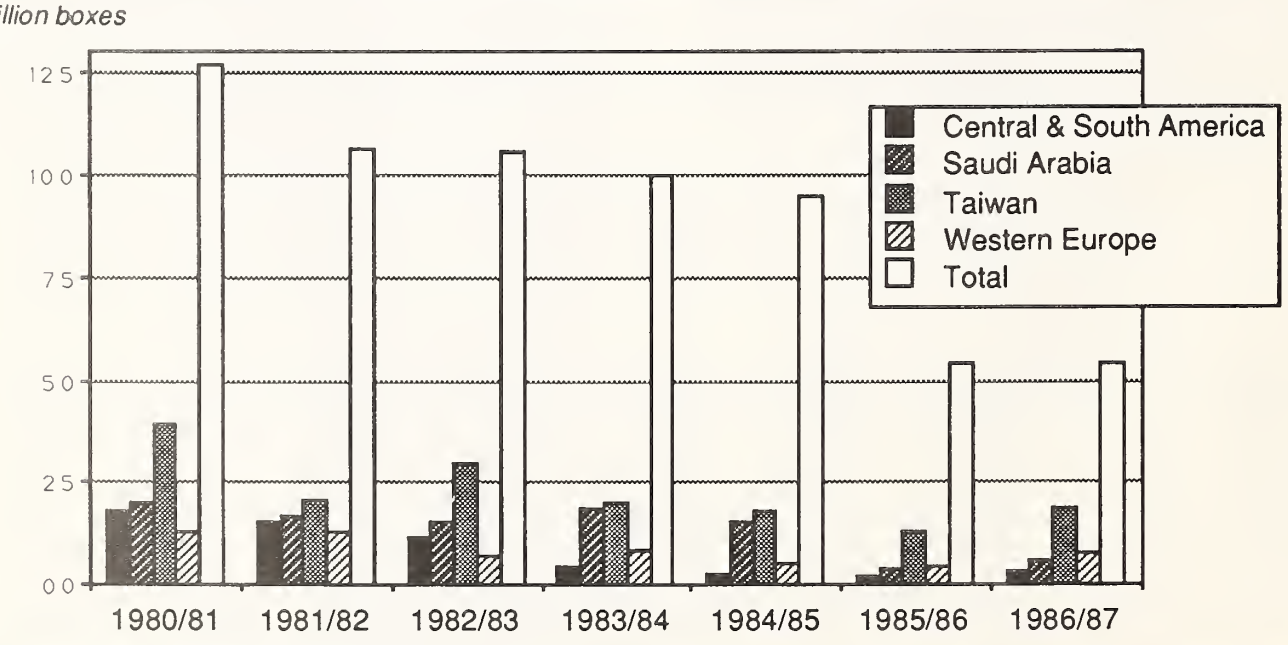
TEA funds combined with commission funds increased export promotion expenditures to $1.8 million in 1986-87 and $2.2 million in 1987-88. This increase in funds enabled the commission to expand promotion activities at a time when exports where decreasing.

Total apple exports declined from a record 12.7 million boxes in 1980 to 5.4 million boxes in 1985, a year of short supply (figure 5). In 1984, total production was 52 million boxes, the same as in 1980, but exports decreased by more than 21 percent. Reasons for the decrease in exports include high U.S. prices, increased competition, a recession in oil-producing countries, and a lack of the smaller size apples preferred by most overseas buyers.

A larger network of representatives was developed. Agencies are now in Taiwan, Hong Kong, Singapore, Malaysia, the United Kingdom, Saudi Arabia, and an Apple Commission staff member is based in Rotterdam, Netherlands. In 1987, a new representative was established in Manila.

Washington apples are exported to 30 different countries. Expansion to new markets have been limited due to import restrictions by many countries. For example, Japan, a large agricultural market, prohibits

Figure 5 - **Selected Exports of Washington State Apples**



Source: Washington State Apple Commission

imports of Washington apples, citing the codling moth and fire blight problem. Efforts are underway to convince Japan that apples can be imported free of codling moths. However, Japan has no incentive to lift these restrictions because it has no apple shortage. Korea restricts apple imports due to codling moth, and Australia restricts imports because of fire blight. India is self-sufficient and has begun exporting. New Zealand, a competitor and exporter to United States, supports apple imports from Washington when its supply is low.

Apple exports to Saudi Arabia decreased from more than 2 million boxes in 1980 to 600,000 in 1986 because of a reduced supply of preferred small-size apples and increasing competition. For example, Chile sold 2.3 million boxes to Saudi Arabia in 1986. Imports to other Middle East countries and Africa have decreased due to declining oil revenues and increasing competition. Also, advertising is limited in these countries; only Saudi Arabia allows TV advertising and, given a low literacy rate, in-store promotion literature is not the best method.

Taiwan purchases 25 percent of Washington exports, and should increase that figure in the future with an expected decrease of import duty rates. Exports to Hong Kong have remained fairly steady, but import shares are threatened by Chilean and Australian apples. Traditionally, Hong Kong consumes Red Delicious apples, but in 1986 Golden Delicious apples were successfully introduced. The commission is promoting Golden Delicious apples after seeing an opportunity with major retail outlets.

Sales to Malaysia and Singapore almost doubled from 1980 to 1984. An insufficient supply of small apples preferred by consumers caused exports to decrease from 1985 to 1986. There is increasing competition from New Zealand, which supplies a high-quality Granny Smith apple.

Exports to Central and South America declined 90 percent from 1980 to 1985. Washington apple exporters have lost the Central and South American markets over the past 10 years because of increasing supplies from Chile and commensurate capabilities of Chilean CA storage.

Exports also declined in Western Europe due to increasing competition. France, Italy, and Germany combined produce more than total U.S. production. Norway, Finland, and Sweden open their markets to imports only when domestic supplies run out. Even with the limited access to their market, Scandinavia accounted for 10 percent of Washington apple exports in 1986. When the Southern Hemisphere crop comes in, Washington apples are no longer imported.

The United Kingdom was chosen as a targeted market even before TEA funds were available. Exports to the United Kingdom decreased from over 350,000 in 1980 to 81,650 boxes in 1985 due to a 40 percent reduction in the Washington crop due to frost at blossom time and the resulting high FOB prices. This market will be difficult because of competition. A typical British retail market carries 11 different varieties of apples from 21 countries. Washington apples represent less than 1 percent of that market but the commission views the United Kingdom as an opportunity for expanded market share.

The first step in the United Kingdom was to work closely with the major retail stores. Initially, three of the largest chains signed contracts with the commission, and these sales represent 75 percent of total retail sales. Instore promotions are not the only activity carried out in the United Kingdom. Activities include a visit to Washington State by British importers and retailers to observe the apple harvest. National advertising on the radio and planned TV advertising helped increase awareness of Washington apples as a superior product. This campaign was not as successful as hoped in 1986.

Plans for the United Kingdom market were developed as a 3-year plan. It takes a long time to build a reputation as a quality product. In 1987, the crop was a record 68 million boxes and exports to the United Kingdom soared to 600,000 boxes, almost 250,00 boxes more than the 1980 record.

California Raisin Advisory Board

All U.S. raisins are produced in California and the industry is highly organized. Forty percent of the growers belong to Sunmaid; 40 percent of the growers and almost all the packers are members of the Raisin Bargaining Association. The industry is concentrated in the San Joaquin Valley, but it still produces enough raisins to supply the United States and nearly a third of the world market. Production averages 250,000 tons a year, a small volume compared with other agricultural products. However, the raisin industry has the largest export promotion campaign in the horticultural products category. This promotion is carried out both by private firms and the California Raisin Advisory Board (CALRAB).

The world raisin market is highly competitive. There are eight major producing and exporting countries: Greece, Turkey, Afghanistan, South Africa, Iran,

Australia, Mexico, and the United States. The markets targeted and the amount of money spent in a country by CALRAB is affected by the actions of competing exporters.

CALRAB is a good example of how commodity promotion programs can effectively use generic and brand name advertising. Raisins are consumed as a snack food or as an ingredient in a baked good or other processed product. In other words, the market is divided between brand name, or private label packaging for direct consumer purchase, and bulk sales to food processors.

The allocation of promotion budgets between brand and generic advertising depends upon a country's use of raisins. Generic promotion and advertising is used for bulk and packaged raisins, whereas brand advertising is limited to packaged raisins. Because CALRAB is authorized to promote brand name raisins in the export market, they have more options when creating a promotion program. When there is weak brand name recognition in a market, CALRAB uses generic promotion and gradually switches to brand advertising.

Historical Background

The California Raisin Advisory Board was established in 1949 in response to an oversupply of raisins. During World War II, raisin production increased when the Federal Government forced the drying of grapes to divert them from wine production. In 1943 and 1944, the industry produced 400,000 and 300,000 tons, respectively. The nutritional quality of raisins was recognized and the domestic demand improved. A new raisin market opened up in Europe as a result of the war that disrupted their own supplies. Foreign sales improved also with the Lend Lease program. A poor crop in 1947 and the resulting high prices slowed domestic demand, which continued to decline in the following years. Exports came to nearly a complete halt.

In 1949, a large crop combined with diminishing demand prompted the processors to take action to control supply and increase demand. First, a Federal marketing order was passed in 1949 to regulate supply and quality. Second, the processors created CALRAB to promote raisins domestically and internationally.

The State marketing order initially assessed processors, but in 1951 the order was amended to include producers. This increased funding expanded the budget for advertising, promotion, and research. Export promotion began in 1956 with a pilot promotion program in Europe. An agreement for $25,000 from FAS supported advertising in West Germany.

Export promotion and advertising activities did not begin in earnest until 1961, with cooperative agreements between FAS and third party cooperators in Denmark, France, West Germany, Sweden, and Japan. These combined funds totaled $240,000 for activities including trade advertising, consumer promotions, point-of-purchase merchandising, public relations, fairs, and exhibits. The market remained fairly stable as exports grew in the 1960's and 1970's, averaging about 60,000 tons a year. Most of the promotion activities were targeted for Japan and Western Europe.

When Greece entered the EC, total U.S. raisin exports decreased from 63,071 metric tons in 1980 to 51,518 metric tons in 1982, an 18 percent decline. The California raisin industry sought to counteract the EC subsidy and stop the loss of their market shares in Europe. The Omnibus Reconciliation Act of 1982 provided funds to improve exports for 1 year. Funds were passed through FAS to CALRAB for promotion in Europe. The $5 million was given to the industry if they would adjust the price of raisins to within 10 to 15 percent of the European market price. The California Raisin Advisory Board contributed $2 million and packers contributed $2.5 million. The Board then redirected the FAS cooperator program funds from Europe to the Pacific Rim.

In 1985, $4.5 million from the Helms bill or the 1982 Omnibus Trade bill was provided to CALRAB for promotion activities in Europe to offset Greece's entrance into the EC. The programs began in 1983 continued, but minor adjustments were made. In some countries, they increased brand over generic advertising. Exports to the United Kingdom increased to 7,080 metric tons in 1985, an increase of 48 percent over 1984 exports. The board received $6.3 million in 1986 and $9.3 million in 1987 in TEA funds for activities in Western Europe and the Pacific Rim.

Over the years, the board has worked with other commodity promotion programs. CALRAB began a cooperative program in 1956 with the Oregon Wheat Growers for promotion in the Pacific Rim. Representatives of Western Wheat and later U.S. Wheat Associates combined their efforts with CALRAB in Japan. CALRAB has worked with The California Cling Peach Board in Europe.

CALRAB's activities to pursue opportunities in a larger world market have grown significantly since 1961. California raisins are sold in more than 56 countries; CALRAB has promotion activities in 31 of them.

Regional offices have increased from four in Europe to locations in New Zealand, Belgium, Hong Kong, Saudi Arabia, England, Philippines, Korea, Singapore, Taiwan, Japan, and Canada.

Western Europe

Traditional European importers prior to Greece's EC membership were The United Kingdom, Germany, Netherlands, Belgium, Norway, Sweden, Denmark, and Finland. CALRAB's activities initially focused on bulk sales, with trade advertising, merchandising, and public relations accounting for 75 percent of the funds. Western European expenditures averaged between $200,000 and $300,000.

Within the first 18 months of Greece's entry into the EC, California raisin sales to the EC dropped from 25,000 tons a year to 12,000 tons a year. This was due to the increased flow of raisins to the EC by Greece at a subsidized price. Exports of sultana raisins from Greece to the EC increased from 38,707 metric tons in 1981 to 47,237 metric tons in 1982. Exports by Greece to Eastern Europe decreased from 21,148 metric tons to 12,520 metric tons in the same period.

After the passage of the Omnibus Reconciliation Act of 1982, CALRAB focused more on consumer promotion. Most of the funds were spent on advertising, including television, radio, and magazines. This shifting of focus to the consumer market is similar to the marketing strategy in the domestic market where 60 to 70 percent of domestic promotion is consumer-oriented. The $5 million was allocated between advertising and promotion, $3.5 for media advertising and $1.5 for promotion. This increase in funding allowed for effective consumer advertising. Previously the funds were not sufficient to have a long-term impact on consumers.

CALRAB's consumer advertising and promotion campaign pursued a strategy of promoting raisins as a generic product and providing funds for advertising the leading brands in different markets. The brands included Sunmaid (owned by the Sun-Diamond cooperative), Bonner, and Champion. Generic promotion focused on differentiating California raisins on the basis of nutrition and quality. It pointed out that California raisins are naturally sun-dried with no further processing, compared with sultanas produced by other countries.

Consumer advertising differed by country. In the United Kingdom and Germany, raisins were promoted as a baking ingredient. In the Nordic countries, emphasis was placed on raisins as a snack. Brand leaders would promote their products as California raisins and label it on their packaging.

Shipments to the EC increased from 14,463 short tons in the 1982-83 crop year to 24,355 short tons in 1983-84. However, the quantity increase still was not close to the 1979-80 shipments to the EC of 31,000

Table 17—Exports of raisins to selected destinations

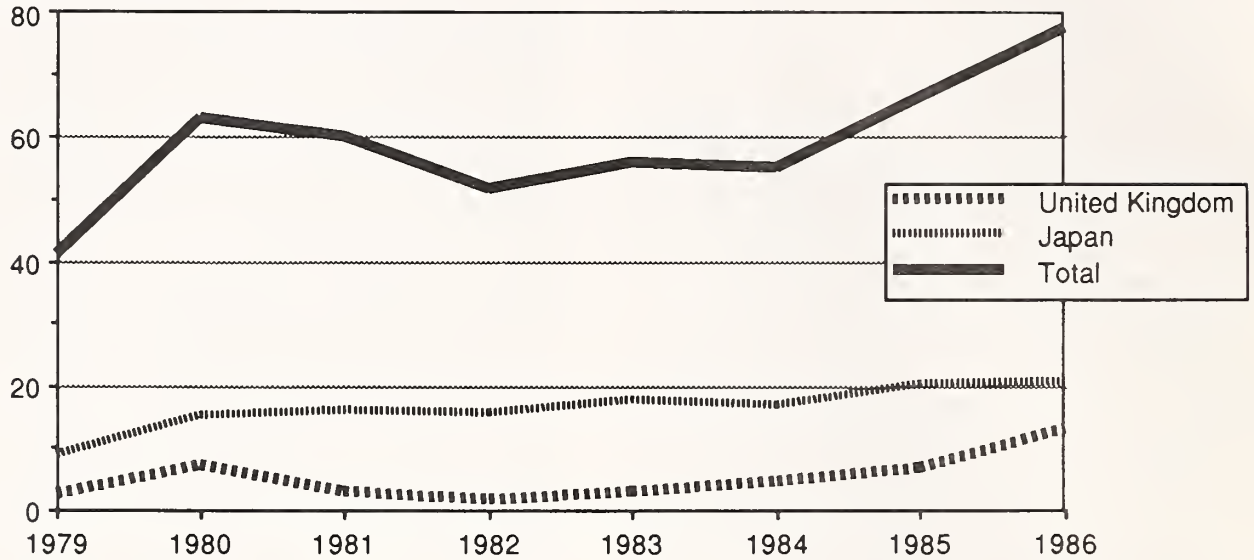
Country	1979	1980	1981	1982	1983	1984	1985	1986
				Metric tons				
Japan	8,801	15,156	16,167	15,477	17,839	16,686	20,263	20,815
United Kingdom	2,647	7,348	3,137	1,891	2,818	4,825	7,080	13,056
Germany	3,661	7,570	4,162	3,021	2,683	3,947	4,193	6,657
Sweden	2,375	3,275	3,685	3,460	3,803	3,389	4,235	5,129
Denmark	1,868	2,210	1,975	1,369	1,919	2,137	2,721	5,131
Canada	6,738	6,784	9,407	6,975	5,525	3,668	3,409	2,713
Netherlands	1,261	2,258	1,386	1,427	1,749	2,831	3,117	3,670
Finland	1,813	2,099	2,533	1,107	1,855	1,630	1,421	2,291
Norway	1,449	1,790	2,060	1,844	1,460	1,750	1,891	2,084
Taiwan	654	2,086	2,053	2,722	3,122	2,330	2,332	2,058
Other	9,684	12,495	13,234	12,225	12,762	11,631	15,834	14,144
Total	40,951	63,071	59,799	51,518	55,535	54,823	66,497	77,747

Source: United Nations Calendar Year Trade Data

Note: Totals may not add due to rounding

Figure 6 - **Raisin Exports to Selected Countries**

Thousand metric tons



Source: United Nations Calendar Year Trade Data.

short tons. table 17 and figure 6 show selected export sales of raisins from 1979 to 1986. Funds to counteract the effects of Greece's entry into the EC and the EC subsidy continued after the initial passage in 1982. Funding from the Helms bill in 1985 was $4.5 million. The primary brands promotion program lead to the recognition that California labeled raisins were quality raisins, and consumers were now receptive to secondary brands and private labels. In 1986, the TEA funds allowed for further expansion of the promotion activities in Europe, such as supporting secondary and private label advertising.

In the United Kingdom, out of the $1.7 million TEA funds, $1.3 million was allocated for consumer advertising. Media included posters, radio, magazines, and television. Because consumers viewed raisins the same as sultanas when used in cooking, the advertising in the United Kingdom tried to differentiate California raisins from sultanas. Another aspect was to introduce raisins as a snack food. Consumer campaigns continued to differ by country. The United Kingdom and West Germany were the primary targets for advertising and promotion activities in Europe by CALRAB.

Beginning in 1987, the EC established a minimum import price for raisins. This included a two-level price system for bulk and packaged private label imports. The penalty will be the greatest for prepackaged products. Given the fact that California raisins were already the most expensive in the European market, this new price system will make it more difficult to expand the European market. The increased TEA funds for 1987 of $9.8 million should help defend and expand market shares.

Japan

Today Japan is the largest importer of California raisins. Japanese raisin imports increased from close to nothing in 1956 to more than 16,000 metric tons in 1981 (table 17). Promotion by CALRAB began in 1965 with programs such as seminars and cooking schools in coordination with Western Wheat targeting the baking industry.

The shakeup of the raisin market caused by Greece's entry into the EC created increased competition in Japan. Exports decreased to 15,477 metric tons in 1982. With new funds for promotion in Europe, FAS cooperator program funds were shifted to Japan. Expenditures for promotion in Japan were $500,000 in 1982. Half of this amount came from FAS funds.

Activities remained focused on the baking industry, with little support for consumer promotion.

The Japanese continued to consume their raisins in raisin bread and other baked goods. However, the bakers were putting in fewer raisins. In some cases the amount of raisins in bread was cut in half. This decreased raisin usage led the Japanese Dried Fruit Importers Association (JDFIA), to take corrective action in 1984.

This JDFIA was able to coordinate an increase in raisin prices for financing an improved promotion program. They established a joint venture promotion coampign with CALRAB to target the baking industry. In effect, the JDFIA implemented what amounted to a checkoff on users of the commodity, and applied these revenues to increase the baking industry's knowledge about the advantages of California raisins for their business. Imports increased from 16,866 metric tons in 1984 to 20,263 metric tons in 1985, a 21 percent increase in 1 year.

In 1986, CALRAB and JDFIA began to focus on the consumer market for raisins, which accounted for 15 percent of the sales. Japanese raisin consumption of 1/2 pound per person has the potential to increase to U.S. consumption of 2 pounds per person. Futhermore, there are five major buyers of bulk raisins in Japan creating instability. If one buyer chose to switch overnight to Australian sources, then the California raisin market would suffer a severe loss of market share. Therefore, the consumer market will not only increase sales of raisins but also create a more stable demand.

Taiwan and Korea

Prior to joining the EC, Greece marketed its raisins to Eastern bloc countries. Upon joining the European Community, Greece displaced exports from Australia, Turkey, Mexico, and South Africa to the EC. This led to increased competition for California raisins in the Pacific Rim, especially in Korea and Taiwan.

When Taiwan and Korea liberalized their markets to U.S. raisins in 1982, the board perceived them as a future Japan where they would be able to build markets from scratch and become the primary source of raisins. These new markets required an educational approach to promoting that emphasized the various uses of raisins. Activities included cooking schools and public relations activities. The board continued promotional activities centered on consumers with brand and generic advertising from 1982 until 1985.

With more money available to CALRAB in 1986 because of the TEA program, the number of countries targeted for promotion activities expanded. Generic advertising began in Taiwan and Korea, but later shifted to brand advertising. Korea has one U.S. brand selling as well as local repackers. Taiwan does not have a California brand, so CALRAB supports promotion by local repackers of California raisins.

California is the largest supplier of raisins to Taiwan, but due to increased competition from other countries, U.S. raisin exports decreased from 4,938 metric tons in 1982 to 2,926 metric tons in 1986. Taiwan remains the sixth largest importer of California raisins. Korea has a duty on raisins that limits the growth of the Korean market. Also, increasing competition from cheaper competitors has threatened the market share of California raisins. CALRAB's task includes increasing demand and at the same time trying to prevent competition from taking away the market they have developed.

Food Technology Program

A new program, transferred from a domestic program, was introduced in Europe in 1985. The European Food Technology Program has identified 150 ways that California raisins differ from those of other countries. The goal is to influence food technologists, and thus get foreign food manufacturers to purchase California raisins rather than cheaper raisins from other countries. Rather than focusing on a country by country strategy, this program targets large food manufacturing firms in Europe who use raisins in baking, confections, and other products.

This program was developed in three steps. The first step was to use a European laboratory to analyze California raisins for chemical, physical, and aesthetic qualities. For example, California raisins have tougher skins, allowing them to plump rather than disintegrate when baked in bread. The resulting 150 differences were documented in five languages. The second step was to demonstrate the differences to food technologists. To do this, the board hired a European food technologist to represent the industry. Seminars were conducted in European laboratories. The third step was to communicate the differences through various articles in industry magazines

This program has successfully led manufacturers to switch to California raisins. For example, Kellogg's of Scandinavia switched to California raisins. New raisin products have also been developed as a result of this program. If a company changes its product to include California raisins or develops a new product,

then the cost of launching the new product with a package identifying the raisins as California raisins is split fifty-fifty with CALRAB.

The Food Technology program will be expanded to the Pacific Rim countries. Furthermore, funds have been allocated to additional countries. Malaysia was identified as a potential market for raisins. Other markets with potential include Hong Kong, Singapore, Sri Lanka, New Zealand, Philippines, and Thailand.

CONCLUSIONS

Export market development is an integral part of exporting today. The large number of commodity promotion programs supporting export promotion would not be possible without the support of industry representatives, including growers and handlers.

How a commodity is promoted depends on the characteristics of the commodity and the country targeted. Based on case studies, bulk commodities benefit from a national or regional program such as U.S. Wheat Associates, which represents all the major wheat-producing States where State commodity promotion programs are in effect. Commodity promotion programs enable the industry to work together to the benefit of all the growers and handlers.

Promotion and advertising differ by country targeted. Market development will either introduce a new product to consumers or try to increase the size of an established market. The latter includes broadening the customer base and increasing per capita consumption of a commodity. In some cases, due to increasing competition, market development is designed to retain market shares.

High value products benefit from brand advertising if they are sold as a packaged consumer product. Selling nuts to confectioners is very different from promoting packaged and roasted nuts for snacks. Commodity promotion programs have had to broaden their strategies and to adopt different approaches on a case-by-case basis. Lead brand advertising is an example of coordinated promotion for U.S. agricultural products that reinforces and builds on earlier marketing efforts and achievements by cooperatives and other firms.

The commodity groups and State checkoff programs for promotion are more active overseas than previously suspected. Their role has grown. Either acting alone or combining their efforts as a regional group, they have changed the way products are marketed here and abroad. Even though producers cannot control all elements in marketing and production, market development by State and Federal programs allows them to collectively improve the markets for their products.

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U.S. Department of Agriculture
Agricultural Cooperative Service
P.O. Box 96576
Washington, D.C. 20090-6576

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